



The President's Daily Brief

December 17, 1975

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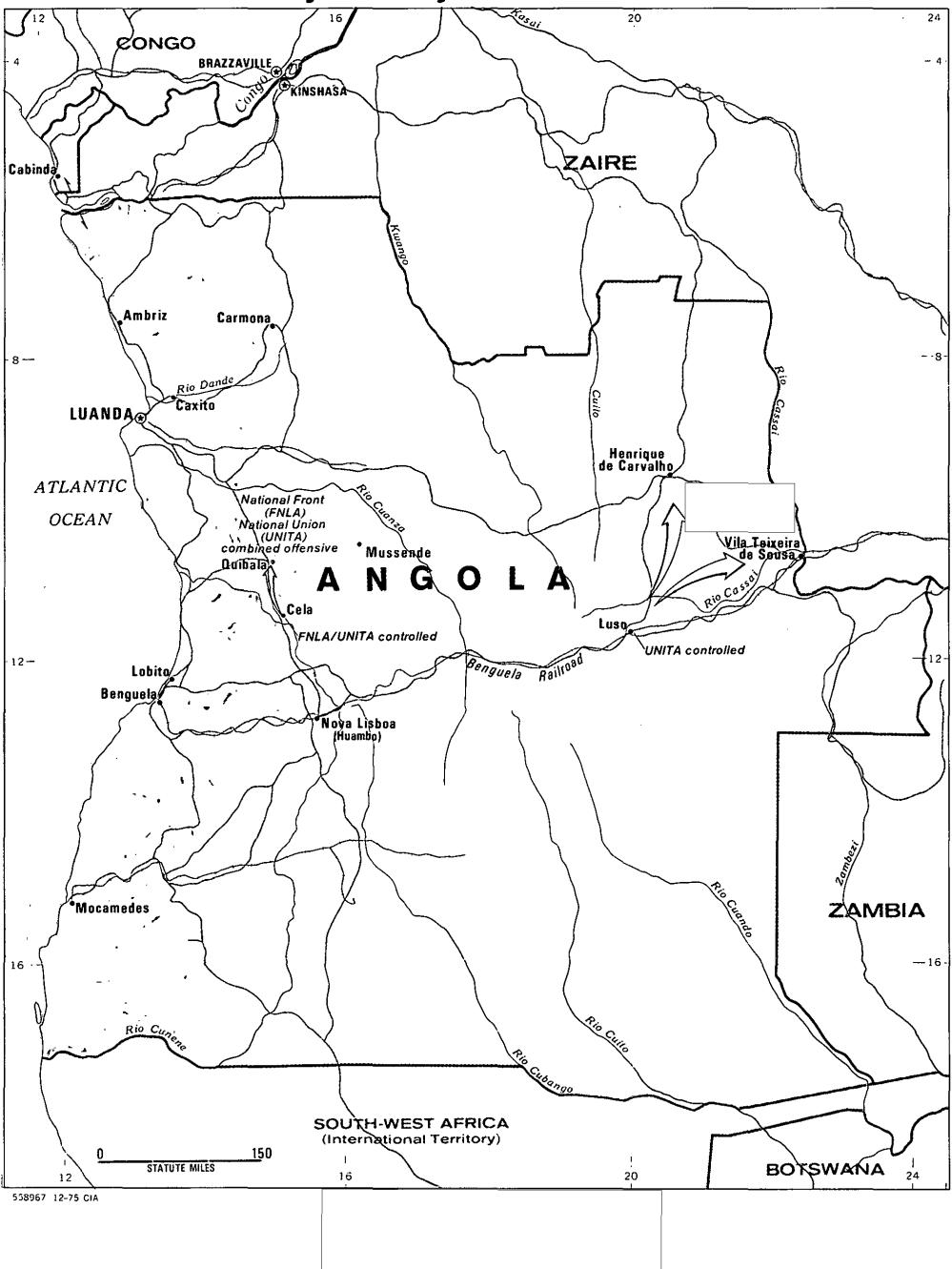
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Current Military Activity



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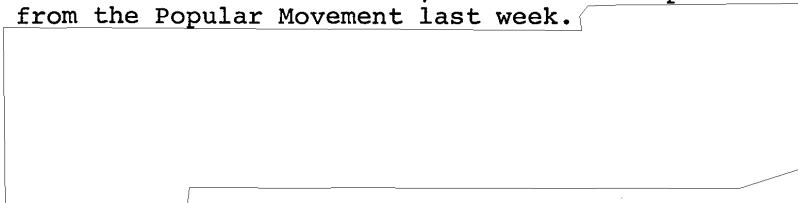
ANGOLA

The National Union for the Total Independence of Angola, assisted by South African troops and forces of the National Front for the Liberation of Angola, reportedly captured Cela in the central part of the country late last week. An official National Union communiqué issued on Monday said that the force is now moving toward Quibala, about 180 miles southeast of Luanda.

At a press conference in Luanda yesterday, the Popular Movement for the Liberation of Angola displayed four South African soldiers captured during the fighting around Cela. The Movement can be expected to focus further publicity on South African involvement in order to gain support from the Organization of African Unity and other African countries.

In eastern Angola, the National Union has consolidated its hold on Luso, which was recaptured from the Popular Movement last week.

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North of Luanda, there have been no recent significant changes in the military situation. The drive begun by the Popular Movement two weeks ago toward the headquarters of the Zairian-backed National Front apparently remains stalled some 50 miles away, mainly because several river bridges were destroyed by retreating Front forces.

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On the political front, the OAU's timetable for its emergency summit on Angola is now uncertain. As originally planned, the summit was to have been preceded by a foreign ministers' planning session in Addis Ababa from December 19-21. OAU member states have now agreed, largely at the behest of supporters of the Popular Movement, to hold the two meetings in succession but have not yet agreed on timing. Unless they resolve the issue soon, no meetings are likely to be held until after the first of the year.

On Monday, Sudan became the 14th African country and 30th worldwide to recognize the Popular Movement's government.

USSR

The disastrous grain harvest, coupled with chronic shortcomings in industrial management and construction, has created the most serious Soviet economic problems in more than a decade. After slowing markedly in 1974, growth in gross national product slumped to less than 2 percent this year.

The outlook for 1976 is bearish. At the heart of the 1975-76 slowdown is the severe drought that prevailed during most of this year in the key grain regions.

Although lacking in detail, announcements from this month's meeting of the Supreme Soviet reflected some of the major developments in the troubled economy:

--Farm output is down more than 10 percent in 1975, the drop highlighted by the depressed grain harvest of about 137 million tons--80 million tons short of target; other crops generally were mediocre.

--The failure of meat output to rise in the fourth quarter despite a sharp increase in the number of animals slaughtered is a harbinger of difficulties to come.

--Industry turned in a respectable performance--up 6.5 percent--with machinery output leading the way.

--Military spending continued to rise in 1975, buoyed by procurement of hardware for strategic weapons systems.

Looking ahead to next year, the Soviets have projected an implied planned increase in gross national product of 5.5 percent. If this goal is to be met, above-average weather conditions will have to prevail.

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If the rebound of 11 percent slated for farm output next year is to be achieved, an exceptionally sharp rise in crop production will be needed to more than offset depressed livestock output. The shortfall in feedstuffs from the 1975 crop will mean that distress slaughtering of livestock will have to continue into the first half of 1976 and that lower herd inventories, coupled with decreased slaughter weights, will bring about a 15- to 20-percent reduction in the output of livestock products.

The Soviets are planning a 4.5-percent rise in industrial output for 1976, the lowest plan figure since World War II. This moderate goal reflects the following unfavorable factors:

- Shortages of agricultural raw materials for the food processing and soft goods industries.
- Persistent lags in the completion of new plants and the delivery of new equipment, a condition that will hold back production of both light and heavy industries.
- A slowing of the growth of the industrial labor force; planners are reluctant to draw further from the large pool of agricultural labor for fear of aggravating chronic difficulties in the farm sector.

The investment data indicate a continued concern about old problems rather than a basic restructuring of priorities. Total investment in 1976 is to grow only 4 percent, with emphasis on (a) the reduction of the vast amount of capital tied up in uncompleted investment projects, (b) an increase in the share of producer durables going for replacement of obsolete equipment, and (c) the maintenance of the high priority of investment in agriculture and its supporting industries (40 billion rubles, or more than one third of all investment).

The serious shortfall in farm output and the scheduled slowdown in industrial growth will put consumer welfare programs under increasing strain.

- Increases in consumer goods and services will be the lowest in the Brezhnev era.

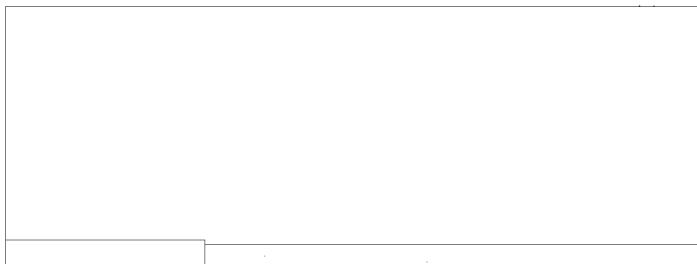
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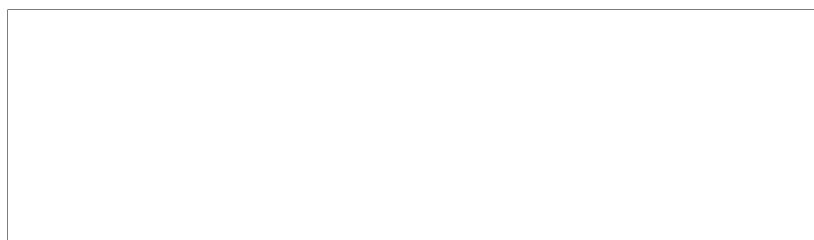
--Similarly, the annual boost in wages and salaries will be held to 3 percent to reflect poorer prospects for supplies of consumer goods.

--Even with consumer incomes rising more slowly, demand for meat will continue to grow. Although supplemented by imports, domestic meat supplies will fall considerably short of the 1975 level. Restricted food supplies, taken together with the regime's refusal to raise retail prices, could result in severe shortages.

SYRIA-ISRAEL



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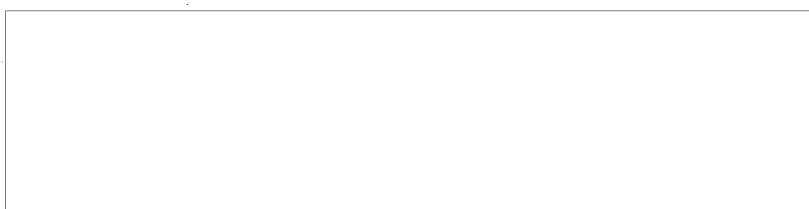


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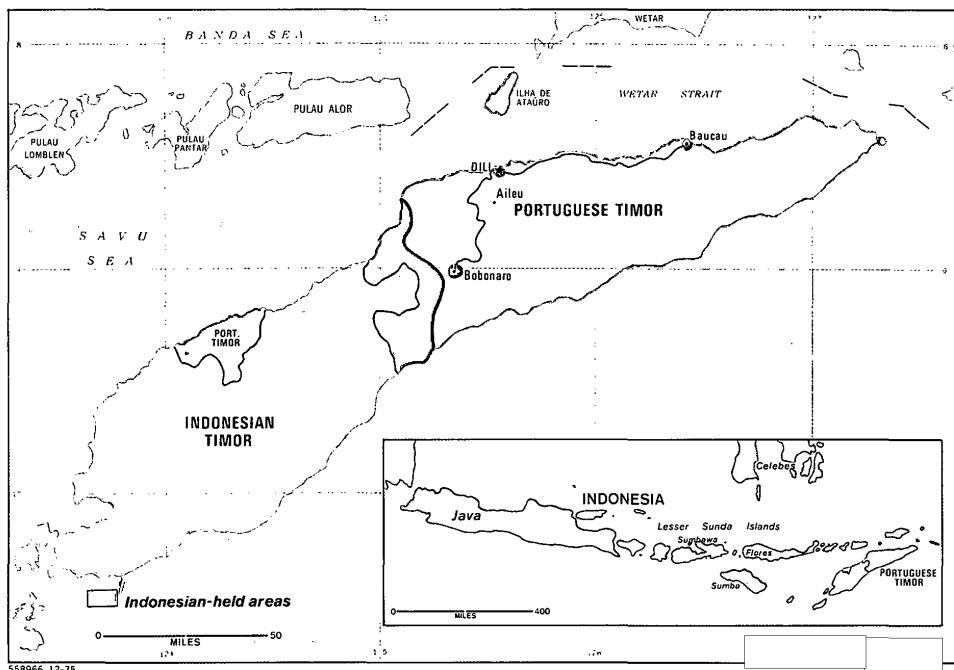
ISRAEL

Recent Israeli press releases painting a dismal picture for Israel's economy next year probably are geared for the kickoff of the 1976 United Jewish Appeal campaign and US Congressional hearings on the Israeli aid package.

Israel's own new economic projections forecast a 6-percent increase in imports as against a 9-percent rise in exports, resulting in about a \$3.7-billion trade deficit. With expected transfers and \$2.3 billion in US aid, this would mean a 1976 balance-of-payments surplus of \$500 million; our earlier estimate was for a \$200-million surplus.

Tel Aviv also has released an unrealistic set of projections for the domestic economy next year: a \$12-billion budget, 40 percent above the current fiscal year budget; a 25-percent rise in industrial output; and a 62-percent hike in unemployment to a rate of 5.2 percent. The Israelis claim that the new budget in real terms will be 5 percent below the fiscal 1976 level, implying a highly unlikely return to the 40-percent annual inflation rate of 1974.

The price outlook for 1976 is closer to the 20- to 25-percent rate expected this year. With only a small increase expected in the labor force, substantial new pockets of unemployment seem out of the question. A similar Israeli unemployment forecast last year failed to materialize.



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NOTES

The Indonesians may attack the important road junction at Bobonaro in Portuguese Timor within the next few days, [redacted]

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Since Indonesian troops captured the capital at Dili and the international airport at Baucau, Jakarta has continued to build up its forces on the island. Merchant ships and civilian aircraft have been commissioned to send in additional supplies and reinforcements.

Meanwhile, Fretolin forces are losing ground and have moved their operations to Aileu, some ten miles south of Dili. Fretolin troops have avoided major contact with Indonesian troops. [redacted]

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The fighting in Lebanon has dropped off considerably as the latest cease-fire is slowly being implemented.

The presence of security forces in the hotel district has helped quiet the downtown area, although Muslim leftists and Christian Phalangists could easily retake their respective strongholds. Scattered fighting throughout the suburbs continues, but in general the situation has improved enough to allow Lebanese leaders to focus on political solutions to the dispute.

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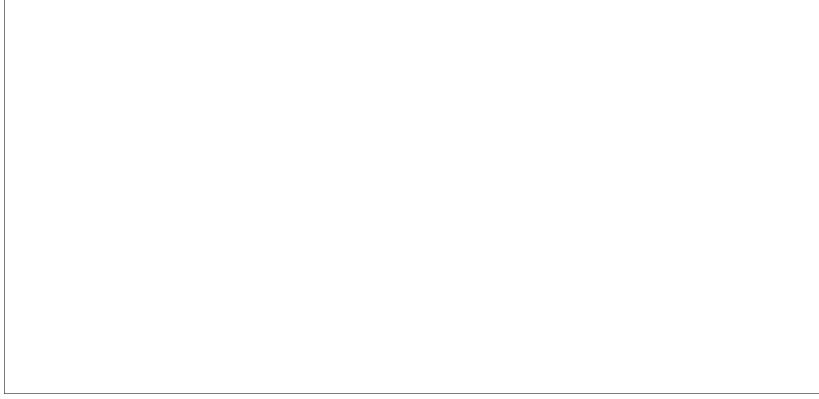
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